

Victorian Co-operative News

Bulletin of the Co-operative Federation of Victoria Ltd

Volume 2 Issue 4

Summer

New Co-operatives Act on the way

Work will begin on a new Victorian co-operatives act in the new year.

The Federation and officers of the Department of Justice will meet in January to draft the act.

The new legislation has taken on national significance, with the Northern Territory Registrar of Co-operatives taking part in negotiations. Other states will be looking to the Victorian Act as a possible model for co-operatives legislation around Australia.

The Minister for Fair Trading, Mrs Jan Wade, has decided to add some provisions of the NSW Co-operatives Act with proposals previously put forward by the Victorian co-operative movement.

The Minister's earlier preference to adopt the NSW Act was vigorously resisted by the Federation.

The Federation was concerned about the level of intervention by the government in the management of co-operatives, the likely fee increases resulting from compliance with the Act, and restrictions that would inhibit the efficient operation of co-operatives.

Also, the NSW Act is based on the now outdated 1966 co-operative principles. The revised principles, adopted by the ICA in September, provide a more flexible approach to the operation of co-operatives, particularly in

Major Policy Issues

The Board of the Federation has taken into account previous submissions by Victorian co-operatives in determining the basis of a new co-operatives act.

Outlined below are the major policy issues the Board believes that a new act should address.

- That there should be one act for all non-financial co-operatives.
- The law should be simple and straightforward, and easy to understand.
- The law should be based on the co-operative principles.
- The registration procedure of co-operatives should be simple and similar to the registration procedures of companies and incorporated associations, and the cost of registration should not exceed that of registering a company.
- The law should not place restrictions on the internal management of co-operatives.
- That the State have a minimal role in the internal management of co-operatives, and that an inexpensive appeal system be available where a co-operative disagrees with a decision of the Registrar.
- That the governance of co-operatives be determined by the members, through the rules.
- That co-operatives should have full corporate powers available to companies and have limited liability. The powers should not be restricted in any way, unless the members choose to limit the powers of their co-operative.
- That there be different kinds of co-operatives; co-operatives, associations of co-operatives and federation of co-operatives, and for co-operatives to be formed with or without share capital.
- That membership of a co-operative be open to natural persons and corporate bodies, and restricted to those who use the services of a co-operative except where special circumstances warrant an exemption.
- That co-operatives be able to raise finance from both its members and from others, so long as voting is based on membership and not shareholding. Except for initial finance as condition of membership, the raising of additional finance from members should be voluntary and subject to adequate disclosure.
- That co-operatives be able to issue different classes of shares, either at par or at a premium, and for nonmembers to be able to purchase shares subject to adequate disclosure.
- That co-operative directors be accountable for their actions in the same manner as directors of companies, and for the board to present audited annual accounts to members, with punitive provisions for failing to present the accounts to members within a certain period.
- The law should provide for an orderly takeover, with members having the final say on whether or

inside...

Directors - your Board's responsibilities
National co-operatives newsletter launched
Vic Roads backs down

page 2
page 3
page 4

Director and Management Development Skills

The Asia Pacific Co-operative Training Centre is happy to respond to co-operatives who have particular training needs or wish to combine with other co-operatives to mount training events.

Contact Tim Dyce to discuss your training needs. Tel: (02) 332 4596

The Co-operative Chairpersons Seminar

for medium and large co-operatives

- ♦ The Role of the Chairperson
- ♦ Hiring the right CEO
- ♦ The role of Non Executive Directors for Co-operatives
- ♦ Board meetings and how to deal with a dissenting Director and still get business done

**Thursday 29 February
1996
Sydney**

Enquires: Rozy Dorizas (02) 210 6078

The importance of director training

*by Tim Dyce, Executive Director,
Asia Pacific Co-op Training Centre*

The job of being a director is not getting any easier.

Governments are passing more and more legislation that affects directors' responsibilities, and the demands of the marketplace make it even more imperative to have skilled directors that know how to work with each other and with their management.

That is why it is important for the Board of each co-operative to have some sort of policy - and a budget to go with it - that makes a commitment to training their directors in at least the basic skills of how to be a good director. Going to an industry conference is not a replacement for training.

New directors should be given an orientation into their legal responsibilities as well as the basic skills that are necessary for the directors to meet their legal

responsibilities.

Directors should learn at least the following skills; legal, financial, human relations, co-operative and strategic planning.

Experienced directors need to be informed on legal changes and given the chance to update their skills. The marketplace is not running the same way as ten years ago and nor should you.

Most directors will say they want training, but when it actually comes to the crunch there is always seem to be reasons why they don't do it.

Being a director is a job like anything else (and a job that can affect the welfare of a lot of people). If nothing else, training can make the job into something that you are on top of and enjoy carrying out.

It gets rid of that uneasy feeling that you don't actually know what you are supposed to be doing. Job competency and satisfaction should be the goal of every Board for each

Directors - your Board's responsibilities

In the third of a series of articles on Directors' duties, Mr Ian Tunstall, of the Co-operative team at Corrs Chambers Westgarth, summarises the main Board responsibilities.

The Board has a duty to act in the best interests of the co-operative to maximise the benefits to members.

The Board is the central component of corporate governance to provide vision and direction, communicating ethical standards and providing accountability to members of the co-operative.

Its major responsibilities are to guide and monitor the management of the co-operative and be satisfied that it is being run properly by management.

The Board must be satisfied that management has established effective and proper procedures to

achieve the goals of the co-operative and that these procedures comply with regulatory requirements.

The Board can use whatever means are available to it to audit management. This can include the setting up of sub-committees of board members, the expertise of individual directors and the engagement of experts to advise the Board.

The members of the Board need to be familiar with the business and financial conditions of the co-operative.

The nature of the co-operative's business would determine the frequency of board meetings to ensure that the Board functions effectively to deal with issues as they arise.

Board members need to be knowledgeable about the activities of the co-operative in order to

participate in the overall management of its affairs.

They must seek out corporate misconduct to protect the co-operative and its business.

This does not mean a detailed inspection of daily activities. Rather, they should investigate reports and statements given to the Board by management and make further enquires on matters revealed.

Where the Board has no grounds for suspicion, it is justified in trusting management in running the business of the co-operative.

The Board is accountable for its actions. It is required to provide reports to members who are entitled to reasonably expect that the contents of the reports contain a full and fair disclosure of information about the business affairs of the co-operative. □

Member Profile: Municipal Association of Victoria Co-operative Purchasing Scheme

The MAV Co-operative Purchasing Scheme Ltd is part of a national network which provides its members with instant access to pre-negotiated discounts which individual organisations cannot match.

The Co-operative's main function is to act as a broker on behalf of its members in securing a range of goods and services on the best terms and conditions.

Membership is open to not-for-profit organisations. The Co-operative's members include local government bodies such as councils, water boards, foreshore committees, and cemetery trusts, as well as community and welfare groups.

Because of the buying strength of its members, which has grown to more than \$20 million per annum, the Co-operative has been able to pre-negotiate discount arrangements with major suppliers for almost every commodity that members are going to need.

The Co-operative has over 100 discount contracts covering more than 10,000 products, commodities and services in routine use by local government and community organisations.

The Co-operative has received Ministerial approval under section 208F of the Local Government Act, which relates to compulsory competitive tendering.

As a result, all purchases made through arrangements put in place by the Co-operative qualify under CCT. This means that councils are able to use the Scheme and avoid the cost of tendering on an individual basis.

The purchasing scheme is computer based. An electronic catalogue provides instant access by members to the best prices. It gives brand details, lists distributors and their locations with telephone and fax numbers, and lists products and services available.

The catalogue is accessible over the telephone line by any IBM compatible or Apple MAC computer. There is no charge for dial up to the catalogue, no special software required, and is freely available for use on any number of terminals and networks. All that is required is a modem to provide the link from a member's PC to their data base.

The Co-operative joined the Federation in 1995.

Does your co-operative exist to serve your community?

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National newsletter launched

The *National Co-op Update*, a new specialist newsletter focusing on national co-operative issues, has been launched.

The bi-monthly newsletter will cover a wide range of issues relevant to the co-operative movement.

The national publication will:

- Provide a forum for the exchange of views within the co-operative sector.
- Support the development and evolution of co-operatives in Australia.
- Disseminate information to and about the co-operative movement - across industries and internationally.
- Raise the profile of the co-operative

movement.

The publishers, Chris Greenwood and Anne Burgi of Substitution Pty Ltd, are experienced journalists with considerable expertise in publishing specialist trade magazines, particularly in agricultural industries where co-operatives dominate the market.

"Because co-operatives in Australia have been state-based, information sources have also tended to be state-based," they say. "As well, co-operatives in different industries have lacked avenues to exchange information and ideas."

"With the increasing focus on national markets and issues, the co-operative movement will benefit from a newsletter

Reinventing the Co-operative

by Edgar Parnell
Director, Plunkett Foundation

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News in brief

New members

The Board of Directors welcomes the following new members of the Federation:

Ballarat Community Education Centre Co-operative Society Ltd
Essendon Rental Housing Co-operative Ltd
Flemington Child Care Co-operative Ltd
Frankston Rental Housing Co-operative Ltd
Metro CERC Co-operative Association Ltd
Mulkirri Co-operative Ltd
South West Association of Co-operatives Ltd

New director

Following the recent resignation of Mr. Stephen Chenery as a director of the Federation, the Board has appointed Mrs Valerie Ogier, Chairperson of the Municipal Association of Victoria Co-operative Purchasing Scheme Ltd, to fill the vacancy. Mrs. Ogier is a small business proprietor, and was previously a councillor and mayor of the City of Frankston.

Federation receives grant

The Federation has received a further grant of \$15,000 from the Victorian Government to assist its co-operative education and promotion program.

The grant will be used to produce *Fact Sheets* on new co-operatives legislation, develop curriculum resources on co-operatives for schools, investigate new opportunities for co-operatives, and to publish the Federation's news bulletin.

Talks stall on interstate trade

Negotiations between State Governments on common legislative provisions to facilitate trade by co-operatives with interstate members, has stalled over the issue of supervision of co-operatives operating in another jurisdiction other than their home state.

At a recent combined meeting of State Registrars and the Co-operatives Council of Australia, the Co-operative Federation of Victoria appealed to the Registrars to promptly resolve the issue.

Competition Policy

The Co-operative Federation of NSW has called for a meeting of the Co-operatives Council of Australia to discuss the implications

Victorian Co-operative News

Opinions expressed in the Victorian Co-operative News do not necessarily reflect those of the Co-operative Federation of Victoria Ltd.

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Your Federation at Work

Vic Roads Backs Down

A member recently informed the Federation that Vic Roads had refused to register a new motor vehicle in the Co-operative's corporate name because it did not have an ACN Number.

Under a new policy, Vic Roads deemed the Co-operative to be an unincorporated body because it was not a company. The Co-operative was asked to nominate a person to register the motor vehicle on its behalf.

Following representations by the Federation to the Minister for Roads and Ports, Mr. Bill Baxter, Vic Roads reversed its new policy, and has apologised to the member.

If members encounter other government policies that discriminate against co-operatives, please contact the Secretary of the Federation on (053) 457 466.

Weekly Times feature

Twenty co-operatives and the State Government contributed over \$13,000 to an advertising feature in *The Weekly Times* newspaper to celebrate the centenary of the International Co-operative Alliance.

The feature in October was initiated by the Federation as part of its co-operative

education and promotion program.

Co-operative brochure

The Federation has produced a brochure which explains in simple terms the unique features of co-operatives.

The brochure has been designed so that it can be used by all co-operatives to explain the co-operative model to staff and members. The brochure will also be used to promote co-operatives to the general public, and be distributed to government and other agencies.

The Federation on the Internet

The Board of the Federation has agreed to be co-publisher with Co-operative Energy Ltd of co-operative material on the Internet. A summary of the Federation's 1995 annual report has been published on the Internet, and other material on co-operatives overseas has been sourced through the Internet, including an early copy of the new co-operative principles.

Community Co-ops Seminar

Following the success of the seminar held on 22 September, the Federation will hold another seminar for not-for-profit co-operatives in late March, 1996.

The subjects to be covered will include the role of the management committee,

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Advertising Policy

The Board of the Federation has adopted an advertising policy for the News.

Members of the Federation will get free advertising. Non members shall pay at a rate determined from time to time.

In the event of the number or size of advertisements exceeding space available, precedence will be given to members advertisements.

The editor will have the discretion on the size of advertisements, taking into account editorial space.

For advertising enquires, call (053) 457 466